Supreme Court, U.S.
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No. 01-

IN THE

Supreme Court of the United States

THE HOLMES GROUP, INC.,

Petitioner,

—against—

VORNADO AIR CIRCULATION SYSTEMS, INC.,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR WRIT OF CERTIORARI

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168862

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QUESTIONS PRESENTED

Petitioner commenced this civil action in the U.S. District Court for the District of Kansas. Petitioner's complaint sought injunctive, monetary, and declaratory relief under 15 U.S.C. § 1125(a) and applicable state law. In March 2000, the District Court granted summary judgment in favor of Petitioner on its First Cause of Action, holding that Petitioner's "sale of its fan and heater products does not infringe any valid or enforceable 'trade dress' claimed by [Respondent] under 15 U.S.C. §§ 1051 et seq." Final judgment was then entered in favor of Petitioner pursuant to Rule 54(b) of the Federal Rules of Civil Procedure.

Respondent timely filed a Notice of Appeal from the District Court's judgment; however, instead of appealing to the Court of Appeals for the Tenth Circuit, Respondent directed its appeal to the Court of Appeals for the Federal Circuit. Respondent contended that the Federal Circuit had appellate jurisdiction under 28 U.S.C. § 1295(a)(1), not based on anything contained or pleaded in Petitioner's complaint or decided by the District Court, but based on Respondent's having included, in its Answer, a counterclaim against Petitioner for alleged patent infringement. The Respondent's counterclaim was extraneous to the District Court's jurisdiction to hear Petitioner's suit and formed no part of the judgment from which Respondent had appealed. In its brief filed with the Court of Appeals for the Federal Circuit, Petitioner urged that Respondent's appeal be dismissed for lack of appellate jurisdiction or, alternatively, that the appeal be transferred to the Tenth Circuit pursuant to 28 U.S.C. § 1631.

On June 5, 2001, the Court of Appeals for the Federal Circuit vacated the District Court's judgment and remanded for further proceedings. In direct conflict with decisions of this Court, the Federal Circuit has taken the position that a plaintiff's well-pleaded complaint does not determine whether an action

"arises under" federal patent law for purposes of 28 U.S.C. § 1295(a)(1) and 28 U.S.C. § 1338(a). Rather, in the Federal Circuit's view, the answer of a defendant must be consulted to determine whether an action "arises under" federal patent law; and if a defendant's answer includes a patent law counterclaim *against* the plaintiff, then according to the Federal Circuit, the defendant's pleading purportedly operates to change the basis of a district court's jurisdiction and to cut off regional Circuit jurisdiction over the plaintiff's suit.

The Federal Circuit's interpretation of 28 U.S.C. § 1295(a)(1) purports to displace vast sectors of regional Circuit jurisdiction and to vest in defendants, rather than plaintiffs, control over what appellate court will determine, and what law may govern, broad categories of claims arising under copyright, trademark, antitrust, contract, defamation, and other non-patent laws.

The questions presented are:

1. Does 28 U.S.C. § 1295(a)(1) divest regional Circuits of jurisdiction to decide appeals of final decisions of district courts in cases wherein the well-pleaded complaint of the prevailing plaintiff does not allege any claim arising under federal patent law?
2. Does 28 U.S.C. § 1295(a)(1) divest regional Circuits of jurisdiction to decide appeals of final decisions of non-patent claims, where judgment is entered pursuant to Fed. R. Civ. P. 54(b) and is not based, in whole or in part, on 28 U.S.C. § 1338(a)?
3. Did the Court of Appeals for the Federal Circuit err in concluding that this action "arises under" federal patent law for purposes of 28 U.S.C. §§ 1295(a)(1) and 1338(a)?

CORPORATE DISCLOSURE STATEMENT

Petitioner hereby identifies Berkshire Partners L.L.C. as a parent corporation owing 10% or more of Petitioner's stock. No publicly held company owns 10% or more of the stock of the Petitioner.

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The Holmes Group, Inc. ("Holmes") petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit entered in this action on June 5, 2001.

OPINIONS BELOW

The opinion of the Court of Appeals is unreported and appears in Appendix A hereto. The opinion of the District Court is reported at 93 F. Supp. 2d 1140 and appears in Appendix B hereto. The final judgment of the District Court appears in Appendix C hereto.

BASIS OF JURISDICTION

The judgment of the Court of Appeals was entered on June 5, 2001. No petition for rehearing was filed. This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1).

The District Court had jurisdiction to hear Petitioner's claims under 15 U.S.C. § 1121 and 28 U.S.C. §§ 1331, 1332(a), and 1367. In the decision below, the Court of Appeals for the Federal Circuit purported to exercise appellate jurisdiction under 28 U.S.C. § 1295(a)(1).

STATUTORY PROVISIONS INVOLVED

This case involves the scope of Federal Circuit appellate jurisdiction under 28 U.S.C. § 1295(a)(1), which in turn is governed by the "well-pleaded complaint rule" of 28 U.S.C. § 1338(a). The text of these statutory provisions is reprinted in Appendix D hereto.

STATEMENT OF THE CASE

Petitioner manufactures and sells HOLMES® brand consumer household products, including household fan and heater fan products. Respondent is a competitor of Petitioner in the U.S. fan and heater business. Both parties manufacture and sell axial-flow fan and heater fan products whose outlet grill structures incorporate a series of arcuate or curved vanes for directing air flow.

In the case of *Vornado Air Circulation Sys., Inc.* v. *Duracraft Corp.*, 58 F.3d 1498 (10th Cir. 1995), *cert. denied*, 516 U.S. 1067 (1996) ("*Vornado I*"), the Court of Appeals for the Tenth Circuit held that the "arcuate grill vane structure" incorporated in certain fan and heater products sold by Respondent "cannot be protected as trade dress" under 15 U.S.C. § 1125(a). 58 F.3d at 1510. Despite this holding, the Respondent, in late 1999, publicly accused Petitioner of "infringing" the exact same alleged "trade dress" which had been held invalid and unprotectable in *Vornado I*.

Petitioner commenced this action on December 8, 1999, in the U.S. District Court for the District Court of Kansas. Petitioner's complaint pleaded seven causes of action against Respondent: (1) declaratory judgment of non-liability under 15 U.S.C. § 1125(a); (2) violation of Mass. Gen. L. ch. 93A, §§ 2 and 11; (3) violation of 15 U.S.C. § 1125(a); (4) tortious interference with prospective economic advantage; (5) defamation; (6) unfair competition; and (7) injurious falsehood. Petitioner's complaint invoked jurisdiction under "15 U.S.C. § 1121, 28 U.S.C. §§ 1331 and 1332(a), and the principles of supplemental jurisdiction codified in 28 U.S.C. § 1367."

On December 17, 1999, Petitioner moved for issuance of a preliminary injunction restraining Respondent from falsely claiming, in commercial advertising or promotion, that HOLMES® products sold by Petitioner purportedly infringed "trade dress" rights claimed by Respondent under 15 U.S.C. § 1125(a). On January 4, 2000, the District Court issued an "Order Granting Preliminary Injunction" under which Respondent was "enjoined and restrained from making or permitting to be made, in commercial advertising or in the marketplace, directly or indirectly, any claim . . . to the effect that Holmes or any Holmes product infringes any ostensible Vornado trade dress rights in spiral grill designs. . . ."[1]

On January 7, 2000, Petitioner moved for summary judgment on its First Cause of Action seeking a declaratory judgment that its sale of HOLMES® products does not infringe any valid or enforceable "trade dress" rights claimed by Respondent under 15 U.S.C. § 1125(a). Petitioner's motion was granted by Order dated March 8, 2000 (see Appendix B). The District Court concluded that the final judgment of invalidity rendered in the *Vornado I* case, *Vornado Air Circulation Sys., Inc. v. Duracraft Corp.*, 58 F.3d 1498 (10th Cir. 1995), *cert. denied*, 516 U.S. 1067

1. In addition to seeking preliminary injunctive relief against false advertising by Respondent in the marketplace, Petitioner sought to restrain Respondent from attempting to re-litigate its purported "trade dress" claim in proceedings initiated by Respondent before the International Trade Commission ("ITC"). The District Court denied that aspect of Petitioner's motion for preliminary injunctive relief; however, after the District Court granted summary judgment in favor of Petitioner, as described *infra*, Respondent moved for voluntary dismissal of a complaint it had lodged with the ITC. The ITC proceedings were terminated in June 2000.

(1996), collaterally estopped Respondent from re-litigating the validity of the exact same "trade dress" claim which had been the subject of that earlier case:

> [T]his Court previously entered a valid and final judgment in *Vornado I* and the Tenth Circuit law upon which that decision was based has not been changed. Under principles of collateral estoppel, the ruling in *Vornado I* bars Vornado from re-litigating the same issue in this action. Accordingly, Holmes is entitled as a matter of law to judgment declaring that it has not infringed Vornado's asserted trade dress rights.

93 F. Supp. 2d at 1144-45 (Appendix B at 13a).

The District Court noted Respondent's argument that the Federal Circuit, rather than the Tenth Circuit, assertedly would have appellate jurisdiction over this case based on the contents of an Answer which Respondent had served in response to Petitioner's complaint,[2] but concluded: "This court does not need to stray into this procedural thicket to decide the issue before it. Regardless of which court of Appeals would have jurisdiction, the court determines the

2. In an Answer served December 30, 1999, Respondent asserted a counterclaim against Petitioner which alleged that one of the products accused of "trade dress" infringement assertedly infringed a patent owned by Respondent. Based on this answer and counterclaim, the District Court noted that "it is possible (although not entirely certain) that any appeal of this court's judgment will be to the Federal Circuit," 93 F. Supp. 2d at 1143, but concluded that "[r]egardless of which Court of Appeals would have jurisdiction, the court determines that the principles of collateral estoppel should be applied in this case." *Id.* at 1143 n.2.

principles of collateral estoppel should be applied in this case." *Id.* at 1143 n.2. On the parties' joint motion, the District Court entered a Final Judgment under Fed. R. Civ. P. 54(b) which provided in pertinent part (see Appendix C):

> Holmes is entitled as a matter of law to judgment declaring that it has not infringed Vornado's asserted trade dress rights [Doc. 72, p. 1]; Plaintiff Holmes' Motion for Summary Judgment on its first cause of action is hereby GRANTED [Doc. 72, p. 12]; and Final Judgment is hereby expressly entered in favor of Holmes and against Vornado on Holmes' first cause of action seeking a declaratory judgment holding that Holmes' sale of its fan and heater products does not infringe any valid or enforceable 'trade dress' claimed by defendant Vornado under 15 U.S.C. §§ 1051 et seq. [Doc. 72, p. 1].

Notwithstanding that Petitioner's complaint did not allege any claim arising under federal patent law; and notwithstanding that the District Court's judgment did not adjudicate any claim which arose under federal patent law; and notwithstanding that Respondent was openly attempting to mount a collateral attack on a prior judgment of the Tenth Circuit, Respondent filed a Notice of Appeal directed to the Federal Circuit. The sole purported basis of appellate jurisdiction in the Federal Circuit was the one noted by the District Court: Respondent's having included, in its answer, a counterclaim against Petitioner for alleged patent infringement. According to Respondent, it was appropriate to look to the contents of Respondent's answer in determining whether this civil action "arises under" federal patent law,

or not.[3] Respondent thus argued that the Federal Circuit, rather than the Tenth Circuit, should determine whether a prior judgment of the Tenth Circuit operated to bar Respondent from re-litigating a claim arising under the Lanham Act.

As it had done in the District Court, Petitioner filed a brief with the Federal Circuit contesting that Court's appellate jurisdiction and urging that Respondent's appeal be dismissed for lack of jurisdiction or, alternatively, transferred to the Tenth Circuit pursuant to 28 U.S.C. § 1631. As a further alternative, Petitioner urged that the District Court's grant of summary judgment be affirmed.

On June 5, 2001, the Court of Appeals for the Federal Circuit issued a two-page Order which provided in full (Appendix A):

> (1) The March 27, 2000 judgment of the United States District Court for the District of Kansas is vacated.

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3. As described more fully *infra*, the Court of Appeals for the Federal Circuit has held that a defendant's answer can be relied upon to establish whether a civil action "arises under" federal patent law, *see Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle Ltd.*, 895 F.2d 736 (Fed. Cir. 1990) (*en banc*), notwithstanding this Court's many precedents holding that "the plaintiff is [the] absolute master of what jurisdiction he will appeal to," *Healy v. Sea Gull Specialty Co.*, 237 U.S. 479, 480 (1915) (Holmes, J.), *quoted in Merrell Dow Pharm., Inc. v. Thompson*, 478 U.S. 804, 809 n.6 (1986), and that "whether a claim 'arises under' patent law 'must be determined from what necessarily appears in the plaintiff's statement of his own claim in the bill or declaration." *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 809 (1988) (quoting *Franchise Tax Board v. Construction Laborers Vacation Trust*, 463 U.S. 1, 10 (1983) (quoting *Taylor v. Anderson*, 234 U.S. 74, 75-76 (1914)).

> (2) The case is remanded to the United States District Court for the District of Kansas for further proceedings in light of the decision of the Supreme Court of the United States in *Traffix Devices v. Marketing Displays, Inc.*, 121 S. Ct. 1255 (2001). The district court is directed to consider whether the "change in the law" exception to collateral estoppel applies in view of the *Traffix* decision, and if appropriate, then to consider the case on the merits.
>
> (3) Each side shall bear its own costs.

REASONS FOR GRANTING THE PETITION

The jurisdictional questions presented by this case are of broad and general significance. The decision below rests on a jurisdictional principle which affects every antitrust plaintiff, every copyright plaintiff, every contract plaintiff, every trademark plaintiff, and indeed, every federal court plaintiff whose adversary may assert a counterclaim for alleged patent infringement of any nature.[4] Under the Federal Circuit's interpretation of the "well-pleaded complaint rule"

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4. In *DSC Communications Corp. v. Pulse Communications, Inc.*, 170 F.3d 1354 (Fed. Cir.), *cert. denied*, 528 U.S. 923 (1999), the Federal Circuit held that a defendant's assertion of a permissive counterclaim for alleged patent infringement was sufficient to bring a case within the scope of 28 U.S.C. § 1295(a)(1), notwithstanding that the plaintiff's complaint alleged no claim "arising under" federal patent law. 170 F.3d at 1359. Thus, according to the Federal Circuit, a defendant can readily evade regional Circuit jurisdiction by asserting any sort of patent counterclaim against a plaintiff, including one that does not arise out of the same transactions or events which form the basis of the plaintiff's suit.

governing federal court jurisdiction, plaintiffs who commence civil actions in federal court are anything but the "absolute master of what jurisdiction they will appeal to." *Healy v. Seal Ball Speciality Co.*, 237 U.S. 479, 480 (1915) (Holmes, J.), *quoted in Merrell Dow Pharm., Inc. v. Thompson*, 478 U.S. 804, 809 n.6 (1986). Rather, as this case demonstrates, the Federal Circuit rule is that defendants purportedly control — and can unilaterally change — both the law[5] and the appellate court which will govern disposition of non-patent claims asserted by a plaintiff.

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5. The Federal Circuit's expansive interpretation of 28 U.S.C. § 1295(a)(1) has coincided with an equally expansive, and equally alarming, expansion of the Federal Circuit's willingness to disregard regional Circuit law on substantive, non-patent law issues. In *Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356 (Fed. Cir.), *cert. denied*, 528 U.S. 1019 (1999), the Federal Circuit overruled a number of its prior precedents and held that thenceforth it would apply "its own" law, rather than regional Circuit law, in determining whether and to what extent product configurations were protectable as "trade dress" under 15 U.S.C. § 1125(a). 175 F.3d at 1361. The Federal Circuit's announced preparedness to disregard regional Circuit law on product configuration "trade dress" questions was what prompted Respondent to attempt to mount a collateral attack on the final judgment in *Vornado I*.

Similarly, in *In re Independent Service Organizations Antitrust Litigation*, 203 F.3d 1322, 1324-27 (Fed. Cir. 2000), *cert. denied*, 121 S. Ct. 1077 (2001), the Federal Circuit overruled a number of its prior decisions and held that it would apply "its own" law, rather than regional Circuit law, to the question whether a refusal to sell patented spare parts violated Section 2 of the Sherman Act, 15 U.S.C. § 2. *See also Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1067-68 (Fed. Cir.), 525 U.S. 876 (1998) (Federal Circuit would apply "its own" law, rather than regional Circuit law, to question whether fraudulent procurement of patent violated federal antitrust law).

The Federal Circuit's approach to determining "arising under" jurisdiction is contrary to numerous decisions of this Court and purports to divest regional Circuit Courts of Appeals of jurisdiction to determine the merits of civil actions commenced under federal or state laws having nothing to do with U.S. patents, their interpretation, infringement, or validity. While "[i]t is possible to conceive of a rational jurisdictional system in which the answer as well as the complaint would be consulted before a determination is made whether the case 'arose under' federal law," that simply is not the law. *Franchise Tax Board v. Construction Laborers Vacation Trust*, 463 U.S. 1, 10 n.9 (1983).

The appellate jurisdiction of the Federal Circuit is prescribed in 28 U.S.C. § 1295 which provides in pertinent part:

> The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction —
>
> > (1) of an appeal from a final decision of a district court of the United States . . . , if the jurisdiction of that court was based, in whole or in part, on section 1338 of this title, except that a case involving a claim arising under any act of Congress relating to copyrights, exclusive rights in mask works, or trademarks and no other claim under section 1338(a) shall be governed by sections 1291, 1292, and 1294 of this title . . . .

In *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800 (1988), this Court vacated a judgment of the Federal Circuit because the plaintiff's complaint did not allege any claim "arising under" federal patent law. In reaching this result, this Court held that 28 U.S.C. § 1295(a)(1) extended

> only to those cases in which a well-pleaded complaint establishes either that federal patent law creates the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded claims.

486 U.S. at 808-809.

The " 'well-pleaded complaint rule,' . . . provides that federal jurisdiction exists only when a federal question is presented on the face of the plaintiff's properly pleaded complaint. . . . The rule makes the plaintiff the master of the claim. . . ." *Caterpillar Inc. v. Williams*, 482 U.S. 386, 392 (1987). 28 U.S.C. § 1295(a)(1) expressly incorporates by reference the "arising under" jurisprudence of 28 U.S.C. § 1338(a), under which "the District court's jurisdiction is determined by reference to the well-pleaded complaint, not the well-tried case." *Christianson*, 486 U.S. at 814.

As its name indicates, the "well-pleaded complaint rule" looks to the contents of a plaintiff's complaint, and not to a defendant's answer, to determine if a civil action "arises under" federal patent law, or not. The rule embodies a basic principle of federal court jurisdiction.

> The party who brings a suit is master to decide what law he will rely upon and therefore does

> determine whether he will bring a suit arising under the patent or other law of the United States by his declaration or bill.

The Fair v. Kohler Die & Specialty Co., 228 U.S. 22, 25 (1913). *See Merrell Dow Pharmaceuticals Inc. v. Thompson*, 478 U.S. 804, 809 n.6 (1986) ("jurisdiction may not be sustained on a theory that the plaintiff has not advanced"); *Healy v. Sea Gull Specialty Co.*, 237 U.S. 479, 480 (1915) ("the plaintiff is absolute master of what jurisdiction he will appeal to").

In the present case, it is undisputed that the complaint filed by Petitioner in the District Court does not plead any claim which "arises under" federal patent law within the meaning of 28 U.S.C. § 1338(a). The complaint pleads seven causes of action arising under 15 U.S.C. §§ 1051 et seq., Mass. Gen. L. ch. 93A §§ 2, 11, and the common law. The complaint invokes the District Court's subject matter jurisdiction "under 15 U.S.C. § 1121, 28 U.S.C. §§ 1331 and 1332(a) and the principles of supplemental jurisdiction codified in 28 U.S.C. § 1367". Yet according to the Federal Circuit, this action "arises under" federal patent law and so is subject to Federal Circuit appellate jurisdiction under 28 U.S.C. § 1295(a)(1).

The Federal Circuit's aberrant interpretation of the "well-pleaded complaint rule" traces to the case of *Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle Ltd.*, 895 F.2d 736 (Fed. Cir. 1990) (*en banc*). In *Aerojet*, the Federal Circuit held that the "well-pleaded complaint rule" was "merely the name of the rule, not a statement of a principle of law," 895 F.2d at 743, with the purported result that a case could "arise under" federal patent law for jurisdictional

purposes, even if the plaintiff's well-pleaded complaint included no claim arising under federal patent law. Departing from an unbroken line of this Court's decisions spanning nearly a century, the Federal Circuit concluded that a defendant's answer could transform a civil action into an action "arising under" federal patent law if it included a patent law counterclaim. The Federal Circuit stated (*id.* at 742):

> It would seem at best incongruous to hold that we have appellate jurisdiction when a well-pleaded patent infringement claim is the basis of a pleading labeled 'complaint' but not when the identical well-pleaded claim is the basis of pleading labeled "counterclaim". *Id.* at 742.

The Federal Circuit thus swept away, as "incongruous," the "plaintiff's traditional prerogative of forum selection -- the well-established principle that the plaintiff is the master of the complaint." 14B C. Wright, A. Miller & E. Cooper, *Federal Practice and Procedure* § 3722, at 453 (3d ed. 1998) (citing authorities). It does violence, not just to the "name" of the "well-pleaded complaint rule," but to the rule itself, to hold that a defendant's answer and counterclaim can divest a plaintiff of its chosen law and forum. This Court has expressly held federal question jurisdiction cannot be predicated on "subsequent pleadings by the defendant," as distinct from pleadings by the plaintiff who commenced an action. *Great Northern Ry. Co. v. Alexander*, 246 U.S. 276, 281 (1918). The Fifth, Seventh, and Ninth Circuits have similarly held that counterclaims do not change the status of a civil action as one "arising under," or not "arising under," federal law for jurisdictional purposes. *E.g.*, *Metro Ford Truck Sales, Inc. v. Ford Motor Co.*, 145 F.3d 320, 326-27

(5th Cir. 1998), *cert. denied*, 525 U.S. 1068 (1999); *FDIC v. Elefant*, 790 F.2d 661, 667 (7th Cir. 1986) (Easterbrook,J.); *Takeda v. Northwestern Nat'l Life Ins. Co.*, 765 F.2d 815, 822 (9th Cir. 1985). *See* 14B C. Wright, A. Miller & E. Cooper, *Federal Practice and Procedure* § 3722 at 414 & n.21 (3d ed. 1998) (collecting cases).[6]

In each of the above-cited cases, this Court and the Courts of Appeals held that a defendant's counterclaim was extraneous to whether the civil action in question "arose under" federal law for jurisdictional purposes, notwithstanding that the defendant's counterclaim expressly pleaded a cause of action arising under federal law. Contrary to the Federal Circuit's stated view, there is nothing "incongruous" about looking to the face of a plaintiff's complaint to determine whether a civil action "arises under" federal patent law, or not — as this Court expressly held should be done in *Christianson*, 486 U.S. at 808-09, for the purpose of determining whether the Federal Circuit had jurisdiction.

In support of its conclusion that "well-pleaded complaint rule" should be construed, instead, as a "well-pleaded complaint or well-pleaded answer and counterclaim rule," the Federal Circuit cited "Congress' goal of enhancing

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6. The holdings of the cases arose cited in the text were made in the context of removal jurisdiction; however, it is well-settled that "[t]he well-pleaded complaint rule applies to the original jurisdiction of the district courts as well as to their removal jurisdiction." *Franchise Tax Board v. Construction Laborers Vacation Trust*, 463 U.S. 1, 10 n.9 (1983). In *Christianson*, this Court held that the "arising under" jurisprudence developed in the context of 28 U.S.C. § 1331 applies co-equally to 28 U.S.C. § 1338(a). 486 U.S. at 808-09.

predictability and certainty of the patent laws." *Aerojet*, 895 F.2d at 745. But as the Federal Circuit has itself observed, "Congress was not concerned that an occasional patent law decision of a regional circuit court, or of a state court, would defeat its goal of increased uniformity in the national law of patents." *Speedco Inc. v. Estes*, 853 F.2d 909, 914 (Fed. Cir. 1988) (quoting *Atari, Inc. v. JS&A Group*, 747 F.2d 1422, 1432 (Fed. Cir. 1984)). More fundamentally, the goal of "uniformity" in patent law jurisprudence is not the only goal of federal court jurisdictional principles, and surely is not so weighty an objective as to warrant jettisoning of the "well-pleaded complaint rule" and potentially diverting to the Federal Circuit every conceivable type of case in which a defendant might assert a patent law counterclaim. It would be, in any event, for this Court, not an intermediate appellate court, to authorize such a fundamental change in federal court jurisdictional principles. *Cf. Cardinal Chemical Co. v. Morton Int'l, Inc.*, 508 U.S. 83 (1993) (rejecting the Federal Circuit's practice of routinely vacating declaratory judgments of invalidity when affirming a finding of non-infringement).

Even assuming, for purposes of argument, that a patent law counterclaim could form the sole basis of Federal Circuit jurisdiction under 28 U.S.C. § 1295(a)(1), there would still remain the question "whether Rule 54(b) can be used to direct an appeal to a particular circuit." *Unique Concepts, Inc. v. Manuel*, 930 F.2d 573, 575 (7th Cir. 1991) (Easterbrook, J.). In *Denbicare U.S.A., Inc. v. Toys "R" Us, Inc.*, 84 F.3d 1143 (9th Cir.), *cert. denied*, 519 U.S. 873 (1996), the Ninth Circuit held that a partial final judgment under Fed. R. Civ. P. 54(b) which disposed of no patent claim was properly appealed to a regional Court of Appeals, notwithstanding that the defendant had counterclaimed for a declaratory judgment of a patent's invalidity. 84 F.3d at 1147-48. In

reaching this result, the Ninth Circuit cited language by Seventh Circuit Judge Easterbrook in the *Unique Concepts* case and the legislative history of 28 U.S.C. § 1295(a) which expressly encourages courts to use Rule 54(b) to preserve regional Circuit jurisdiction over judgments disposing of non-patent claims, and to prevent appellate forum-shopping:

> This measure . . . is not intended to create forum shopping opportunities between the Federal Circuit and the regional courts of appeals on other claims. Thus, for example, mere joinder of a patent claim in a case whose gravamen is antitrust should not be permitted to avail a plaintiff of the jurisdiction of the Federal Circuit and avoidance of the traditional jurisdiction in governing legal interpretations of a regional court of appeals. Federal District judges are encouraged to use their authority under the Federal Rules of Civil Procedure, *see* Rules 13(i), 16, 20(b), 42(b), 54(b), to ensure the integrity of the jurisdiction of the federal court of appeals by separating final decisions on claims involving substantial antitrust issues from trivial patent claims, counterclaims, cross-claims, or third party claims raised to manipulate appellate jurisdiction.
>
> . . . If, for example, a patent claim is manipulatively joined to an antitrust action but severed or dismissed before final decision of the antitrust claim, jurisdiction over the appeal of the antitrust claim should not be changed by this Act but should rest with the regional court of appeals.

S. Rep. No. 97-275, at 19-20 *reprinted in* 1982 U.S.C.C.A.N. 11, 29-30.

This case presents the Court with the opportunity to clarify that District Courts may, in fact, employ Fed. R. Civ. P. 54(b) to preserve a plaintiff's choice of law and jurisdiction. Where, as here, a final judgment has been entered which determines no claim arising under federal patent law, there is not even a patent law uniformity justification for ousting a regional Circuit of jurisdiction.

The present case well illustrates how the Federal Circuit's interpretation — and *de facto* rejection — of the "well-pleaded complaint rule" can lead not only to unfair and unpredictable results, but to enormous waste of judicial and party resources. In the two-page Order issued by the Federal Circuit, the District Court is directed to consider whether the law of the Tenth Circuit may have changed in such a way as to permit a collateral attack on a prior judgment of the Tenth Circuit in a case arising under federal trademark law. Then, after the District Court attempts to divine how the Tenth Circuit would regard the state of its own law, the case presumably would return to the Federal Circuit for additional divination efforts.

It is not difficult to see how the interests of justice, judicial economy and efficiency, and stability of prior final judgments, have all been sacrificed in this case as a consequence of the Federal Circuit's aberrant interpretation of the "well-pleaded complaint rule" governing federal court jurisdiction under 28 U.S.C. § 1295(a)(1) and 1338(a).

CONCLUSION

For the reasons set forth above, a writ of certiorari should issue to review the judgment of the Court of Appeals for the Federal Circuit.

Respectfully submitted,

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September 4, 2001

APPENDIX

APPENDIX A — PER CURIAM ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT DATED AND FILED JUNE 5, 2001

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

00-1286

THE HOLMES GROUP, INC.,

Plaintiff-Appellee,

v.

VORNADO AIR CIRCULATION SYSTEMS, INC.,

Defendant-Appellant.

Before MAYER, *Chief Judge*, NEWMAN and SCHALL, *Circuit Judges*.

PER CURIAM.

ORDER

Upon consideration of the issues presented in this case,

IT IS ORDERED THAT:

(1) The March 27, 2000 judgment of the United States District Court for the District of Kansas is vacated.

Appendix A

(2) The case is remanded to the United States District Court for the District of Kansas for further proceedings in light of the decision of the Supreme Court of the United States in *Traffix Devices, Inc. v. Marketing Displays, Inc.*, 121 S. Ct. 1255 (2001). The district court is directed to consider whether the "change in the law" exception to collateral estoppel applies in view of the *Traffix* decision, and, if appropriate, then to consider the case on the merits.

(3) Each side shall bear its own costs.

FOR THE COURT

JUN – 5 2001
Date

s/ Jan Horbaly
Jan Horbaly
Clerk

APPENDIX B — MEMORANDUM AND ORDER OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF KANSAS DATED AND FILED MARCH 8, 2000

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF KANSAS

No. 99-1499-WEB

THE HOLMES GROUP, INC.,

Plaintiff,

v.

VORNADO AIR CIRCULATION SYSTEMS, INC.,

Defendant.

Memorandum and Order

Plaintiff Holmes Group Inc. filed this action seeking, among other things, a declaratory judgment holding that Holmes' sale of its fan and heater products does not infringe any valid or enforceable "trade dress" claimed by defendant Vornado under 15 U.S.C. §§ 1501 et seq. The matter is now before the court on Holmes' motion for summary judgment on its first cause of action seeking the aforementioned relief. Holmes argues it is entitled to summary judgment by virtue of the collateral estoppel effect of previous litigation involving defendant Vornado and another fan manufacturer. The court heard preliminary arguments from the parties relating to this issue at a hearing on January 3, 2000, and

concludes that further argument would not assist in deciding the questions presented.

I. *Facts.*

1. Holmes is a manufacturer of branded consumer household products. Holmes manufactures and sells a wide variety of household fan and heater products in U.S. interstate commerce, including the Holmes® Model HAOF-90 Blizzard™ Oscillating Power Table Fan; the Holmes® Model HFH 298 Power Accutemp™ Bedroom Heater; and the Holmes® Model HFH 299 Power Heater.

2. Defendant Vornado is a competitor of Holmes in the U.S. fan and heater business. Vornado sells household fan and heater products, some of which incorporate arcuate vane structures exemplified in Exhibits 11 and 12 of the declaration of James W. Dabney.

3. On or about November 26, 1999, Vornado lodged a complaint with an administrative agency in Washington, D.C., known as the International Trade Commission (the "ITC"). In its ITC complaint, Vornado claimed to be the owner of a "trade dress" comprised of a "spiral grill design" embodied in certain Vornado fan and heater products, and asserted that Holmes' sale of the Holmes products essentially infringed that trade dress in alleged violation of 15 U.S.C. § 1125(a).

4. In its answer in this action dated December 30, 1999, defendant interposed an affirmative defense which substantially repeated the trade dress allegations contained

in the ITC complaint. Defendant's answer in this action alleges that the spiral grill design embodied in certain Vornado fan and heater products constitutes non-functional trade dress and that Holmes' sale of the Holmes Products infringes that trade dress in violation of 15 U.S.C. § 1125(a).

5. The trade dress which defendant has accused Holmes of infringing in this action and in the ITC complaint, exemplified by the grill structure incorporated in the Vornado Model 550G "compact" fan depicted in Exhibit 5 to defendant's ITC complaint, is the exact same mechanical configuration which the Tenth Circuit has explicitly held "cannot be protected as trade dress" in Vornado I.

6. On November 6, 1992, Vornado commenced an action in this court entitled *Vornado Air Circulation Systems, Inc. v. Duracraft Corp.*, Civ. Action No. 92-1453-WEB (D. Kan.). Vornado's complaint asserted that the aforementioned "spiral grill design", which Vornado then referred to as the "Patented AirTensity™ Grill", constituted non-functional trade dress subject to regulation and injunction under 15 U.S.C. § 1125(a).

7. On July 5, 1995, the Tenth Circuit rendered a judgment reported at 58 F.3d 1498 which rejected defendant's trade dress claim and concluded:

> Vornado included the arcuate grill van structure as an element of its patent claims and described the configuration as providing an "optimum air flow." Then, after the first patent issued and Vornado subsequently found evidence that other

grill structures worked as well or better than the spiral grill, Vornado did not repudiate or disclaim in any way the grill element of its patent. Instead, Vornado sought and received a reissued patent that expanded its claims with respect to the grill.

Even if we discount entirely Vornado's extensive advertising campaign emphasizing the importance of the "AirTensity Grill," this patent history on its face obviates any need for a remand on the question of inventive significance. We simply take Vornado at its word. Because the "Patented AirTensity Grill" is a significant inventive element of Vornado's patented fans, it cannot be protected as trade dress.

The Tenth Circuit opinion reversed this court's initial ruling in favor of Vornado. *See Vornado Air Circulation Systems, Inc. v. Duracraft Corp.*, 1994 WL 1064319 (D. Kan., Mar. 4, 1994).

8. On January 8, 1996, the Supreme Court of the United States denied a petition by Vornado for review of the Tenth Circuit's *Vornado I* decision. This court subsequently entered final judgment dismissing with prejudice, on the merits, the trade dress claim which Vornado had asserted in *Vornado I*, and awarded costs against Vornado.

9. In *Vornado I*, the Tenth Circuit specifically considered and decided the issue of whether the arcuate or "spiral" grill configuration embodied in Vornado fan and heater products was eligible for protection as trade dress under 15 U.S.C. § 1125(a). By its complaint in the ITC and

its affirmative defense in this action, defendant seeks to re-litigate the very same issue, which was actually, necessarily, and finally decided adversely to defendant in *Vornado I*.

II. *Summary Judgment Standards.*

The standards and procedures for summary judgment are well established and will not be fully repeated here. *See Celotex Corp. v. Catrett*, 477 U.S. 317, 323-24 (1986). In essence, summary judgment is proper if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law. *Id.*

III. *Arguments.*

Holmes argues that under the doctrine of collateral estoppel the judgment in *Vornado I* bars Vornado from asserting in this action that the configuration of its "AirTensity Grill" qualifies for trade dress protection under 15 U.S.C. § 1125(a). As such, Holmes contends it is entitled to summary judgment on its claim for a declaratory judgment of non-infringement. In response, Vornado contends that collateral estoppel should not be applied because there has been a fundamental change in the controlling law, and because application of the doctrine in this case would be unfair to Vornado.

IV. *Discussion.*

The federal courts have traditionally adhered to the doctrine of collateral estoppel. *Allen v. McCurry*, 449 U.S.

90, 94 (1980). Under that doctrine, "once a court has decided an issue of fact or law necessary to its judgment, that decision may preclude relitigation of the issue in a suit on a different cause of action involving a party to the first case." *Id.* The doctrine furthers several important interests: it relieves parties of the cost and vexation of multiple lawsuits, it conserves judicial resources, and, by preventing inconsistent decisions, it encourages reliance on adjudication. *Id.* The Supreme Court has recently reaffirmed the benefits of collateral estoppel and has applied it in contexts not recognized at common law. For example, the Court has eliminated the requirement of "mutuality" of parties and has permitted a litigant not a party to a federal case to assert the doctrine "offensively" in a new federal suit against the party who lost on the issue in the first case. *Id.* at 94-95.

The elements of collateral estoppel are clearly satisfied in this case.[1] The only real question is whether the doctrine should not be applied because of a change in the law since *Vornado I.* It is well established that an intervening change in the law can be a sufficient basis for declining to apply collateral estoppel. *See e.g., Montana v. United States*, 440 U.S. 147, 155 (1979); *Spradling v. City of Tulsa*, 198 F.3d 1219, 1223 (10th Cir. 2000); *Bingaman v. Dept. Of Treasury*, 127 F.3d 1431, 1437 (Fed. Cir. 1997) ("In a number of cases,

1. The trade dress now claimed by Vornado is identical to that which it asserted in *Vornado I*; *Vornado I* was decided on the merits; Vornado was a party to the prior action; and Vornado had a full and fair opportunity to litigate the issue in the prior action. *See Matosantos Commercial Corp. v. Applebee's Int'l., Inc.*, 64 F.Supp.2d 1105, 1108 (D. Kan. 1999) (listing elements of collateral estoppel).

this court and others have held that a significant change in the 'legal atmosphere' — whether in the form of new legislation, a new court decision, or even a new administrative ruling — can justify a later court's refusal to give collateral estoppel effect to an earlier decision.").

Vornado contends this "change in the law" exception is met because in *Midwest Industries, Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356 (Fed. Cir. 1999), the Federal Circuit expressly rejected the Tenth Circuit's *Vornado I* holding, ruling instead that a claim for trade dress protection was not barred by the fact that a product configuration had been claimed as a significant inventive element of a patent. *Id.* at 1364. As part of its ruling in that case, the Federal Circuit abandoned its prior practice of applying regional circuit law on questions involving the relationship between patent law and other federal law rights, and said that "[h]enceforth, wili apply our own law to such questions." *Id.* at 1359. This alteration is potentially significant in the instant case, because Vornado has asserted a counterclaim alleging infringement of Vornado's patent. Under 28 U.S.C. § 1295(a)(1), the Federal Circuit has exclusive jurisdiction over an appeal from a final judgment of a district court if the district court's jurisdiction is based in whole or in part on a patent claim. Thus, it is possible (although not entirely certain) that any appeal of this court's judgment will be to the Federal Circuit[2],

2. Holmes contends it is doubtful the Federal Circuit would have jurisdiction over an appeal in this case, citing the "well-pleaded complaint rule" of *Christianson v. Colt Industries*, 486 U.S. 800 (1988), and pointing out that Holmes' complaint asserts no patent claim. This court does not need to stray into this procedural thicket

(Cont'd)

and that the Federal Circuit will apply its own law to the trade dress claim — a law that is now clearly at odds with the Tenth Circuit law underlying the judgment in *Vornado I.* By contrast, if the case is found not to involve a claim under the patent laws, an appeal would go to the Tenth Circuit, which would presumably apply the same rule expressed in *Vornado I* to bar Vornado's claim of trade dress. *See* 15 U.S.C. § 1121(a).

The court concludes that this clear conflict in the substantive law of the circuits does not require, nor does it warrant, a refusal to apply the law of collateral estoppel in this action. In the prior case, Vornado had a full and fair opportunity to litigate its trade dress claim against another manufacturer, and that claim was ultimately decided against Vornado by the Tenth Circuit. Vornado petitioned the Supreme Court to review the ruling, but the Court declined to do so, leaving intact this court's resulting judgment that Vornado was barred from claiming trade dress rights in its grill design. The Tenth Circuit law upon which that judgment was based has not changed since *Vornado I*, and the court sees nothing to substantiate Vornado's hopeful speculation that if the Tenth Circuit were to revisit the issue "it would choose a different path than it articulated in *Vornado I.*" Def. Mem. at 5. All of the procedural machinations and intercircuit intrigue implicated by this action cannot obscure a central truth: *Vornado I* constitutes a final and valid judgment of this court and the law upon which that judgment

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(Cont'd)
to decide the issue before it. Regardless of which Court of Appeals would have jurisdiction, the court determines that the principles of collateral estoppel should be applied in this case.

was based remains unchanged. Under such circumstances, this court will not refuse to give effect to its own prior judgment.

Aside from an asserted change in the law, Vornado also points out that collateral estoppel should not be applied where it would result in unfairness to a defendant. *Citing Parklane Hosiery Co., Inc. v. Shore*, 439 U.S. 322, 331 (1979). But the unfair circumstances identified by the Court in *Parklane Hosiery* — lack of incentive to prosecute the first action, inconsistency with other judgments in favor of the defendant, and lack of procedural opportunities in the first action — are clearly not present in this case. *Cf.* at 330. Vornado nevertheless argues unfairness would result because manufacturers against whom Vornado competes may be able to obtain trade dress protection on features of a type that Vornado is barred from protecting by *Vornado I.* Def. Mem. at 4. The *Restatement (Second) of Judgments* suggests that it might be inappropriate to apply collateral estoppel where its application "would impose on one of the parties a significant disadvantage, or confer on him a significant benefit, with respect to his competitors," or where it "would result in a manifestly inequitable administration of the laws." *Restatement (Second) of Judgments*, § 28, comment c. Notwithstanding the fact that some inequality could emerge from the difference in law between the circuits, the court cannot agree that the circumstances of this case warrant re-litigation of the legal issue determined in *Vornado I.*[3]

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3. As the *Restatement* points out, two concepts of equality are at odds with each other in this type of situation. One concept is that the outcomes of similar legal disputes between the same parties at

(Cont'd)

As Holmes points out, conflict in the law between circuits is not unheard of, and the fact that one circuit disagrees with another does not necessarily mean the former would decline to give collateral estoppel effect to a judgment arising in the latter. But that is a matter for the Federal Circuit (or the Tenth Circuit) to determine. *Cf. Colby v. J.C. Penney Co.*, 811 F.2d 1119, 1124 (7th Cir. 1987) ("the responsibility for maintaining the law's uniformity is a responsibility of appellate rather than trial judges"). Likewise, the ITC must determine in its own right whether the doctrine of collateral

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(Cont'd)
different points in time should not be disparate. The other is that the outcomes of similar legal disputes being contemporaneously determined between different parties should be resolved according to the same legal standards. *See Restatement (Second) of Judgments*, § 28, comment c. In such a situation, "the choice must be made in terms of the importance of stability in the legal relationships between the immediate parties, the actual likelihood that there are similarly situated persons who are subject to application of the rule in question, and the consequences to the latter if they are subject to different legal treatment." *Id.*

Although the foregoing standards provide fodder for both sides of the collateral estoppel argument in this case, the court finds in them no compelling reason for declining to apply the same rule that was previously applied to the same issue in *Vornado I*. The court notes that since *Vornado I*, Holmes and other companies have manufactured various products in reliance upon the rule expressed in that case. *See Marino Decl.* § 22. Failure to apply collateral estoppel here would likely create a baffling state of legal affairs insofar as manufacture of these products is concerned. *Cf. American Med. Int'l., Inc. v. Sec. of Health, Education & Welfare*, 677 F.2d 118, 123 (the surest way to obtain decisional uniformity is to give estoppel effect to the earliest judgment).

estoppel should apply to bar any of the claims now pending before it. Insofar as this action is concerned, however, this court previously entered a valid and final judgment in *Vornado I* and the Tenth Circuit law upon which that decision was based has not been changed. Under principles of collateral estoppel, the ruling in *Vornado I* bars Vornado from re-litigating the same issue in this action. Accordingly, Holmes is entitled as a matter of law to judgment declaring that it has not infringed Vornado's asserted trade dress rights.

V. *Vornado's Motion to Stay.*

The court has considered defendant Vornado's Motion to Stay (Doc. 53) pending a ruling by the Federal Circuit on Vornado's appeal of the preliminary injunction in this case, but the court concludes the motion should be denied. Given the straightforward question presented by the motion for summary judgment, the court does not believe judicial economy would be furthered by holding the motion in abeyance.

VI. *Conclusion.*

Defendant Vornado's Motion to Stay (Doc. 53) is hereby DENIED.

Plaintiff Holmes' Motion for Summary Judgment on its first cause of action (Doc. 42) is hereby GRANTED.

IT IS SO ORDERED this 8th day of March, 2000, at Wichita, Ks.

s/ Wesley E. Brown
Wesley E. Brown,
U.S. Senior District Judge

APPENDIX C — FINAL JUDGMENT OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF KANSAS DATED AND FILED MARCH 27, 2000

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF KANSAS

No. 99-1499-WEB

THE HOLMES GROUP, INC.,

Plaintiff,

vs.

VORNADO AIR CIRCULATION SYSTEMS, INC.,

Defendant.

FINAL JUDGMENT

The parties having jointly moved for entry of Final Judgment pursuant to Fed. R. Civ. Proc. 54(b), and the Court expressly finding no just reason for delay in the entry of Final Judgment, it is hereby:

ORDERED, ADJUDGED, and DECREED that "Holmes is entitled as a matter of law to judgment declaring that it has not infringed Vornado's asserted trade dress rights" [Doc 72, p. 11]; "Plaintiff Holmes' Motion for Summary Judgment on its first cause of action is hereby GRANTED" [Doc. 72, p. 12.]; and Final Judgment is hereby expressly entered in favor of Holmes and against Vornado on Holmes' first cause of action seeking a declaratory judgment "holding

that Holmes' sale of its fan and heater products does not infringe any valid or enforceable 'trade dress' claimed by defendant Vornado under 15 U.S.C. §§ 1051 et seq." [Doc. 72, p. 1].

The Clerk is expressly directed to enter this Final Judgment forthwith.

SO ORDERED this 27th day of March, 2000.

s/ Wesley E. Brown
Wesley E. Brown
United States District Senior Judge

APPENDIX D — RELEVANT STATUTES

28 U.S.C. § 1295(a)(1)

§ 1295. Jurisdiction of the United States Court of Appeals for the Federal Circuit

(a) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction —

> **(1)** of an appeal from a final decision of a district court of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, the District Court of the Virgin Islands, or the District Court for the Northern Marinara Islands, if the jurisdiction of that court was based, in whole or in part, on section 1338 of this title, except that a case involving a claim arising under any Act of Congress relating to copyrights, exclusive rights in mask works, or trademarks and no other claims under section 1338(a) shall be governed by sections 1291, 1292, and 1294 of this title;
>
> * * *

Appendix D

28 U.S.C. § 1338(a)

§ 1338. Patents, plant variety protection, copyrights, mask works, designs, trademarks, and unfair competition

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. Such jurisdiction shall be exclusive of the court of the states in patent, plant variety protection and copyright cases.

* * * *

APPENDIX E — ORDER OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF KANSAS DATED AND FILED JUNE 12, 2000

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF KANSAS

Civil Action No. 99-1499-WEB

THE HOLMES GROUP, INC.,

Plaintiff,

vs.

VORNADO AIR CIRCULATION SYSTEMS, INC.,

Defendant.

ORDER

This matter having been opened to the Court on the joint motion of plaintiff The Holmes Group, Inc. ("Holmes") and defendant Vornado Air Circulation Systems, Inc. ("Vornado") for an Order dismissing claims on the terms and conditions set forth herein, it is hereby ORDERED, pursuant to Fed. R. Civ. P. 41(a)(2), as follows:

1. Except insofar as they plead a right to the injunctive relief which this Court granted by Order dated January 4, 2000, the plaintiff's Second, Third, Fourth, Fifth, Sixth, and Seventh Causes of Action are hereby dismissed without prejudice to re-opening upon the motion of any party as provided in paragraph 4 of this Order.

2. All proceedings relating to the counterclaim of defendant Vornado are hereby stayed pending further Order of this Court.

3. In the event that the Final Judgment of this Court on plaintiff's First Cause of Action is affirmed on appeal, then (a) the Preliminary Injunction Order issued by this Court on January 4, 2000, shall become a Permanent Injunction Order, (b) the preliminary injunction bond previously posted by Holmes shall be released and discharged, (c) the dismissal of claims ordered in paragraph 1 of this Order shall become with prejudice; and (d) the counterclaim of Vornado shall be dismissed with prejudice.

4. In the event that the Final Judgment of this Court on plaintiff's First Cause of Action is reversed on appeal, then either party shall have the right to seek reinstatement of all claims conditionally dismissed by this Order upon motion showing any such reversal on appeal.

Dated: June 12, 2000

s/ Wesley E. Brown
Wesley E. Brown
United States District Senior Judge

Appendix E

Approved as to Form:

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United States International Trade Commission